



State of Utah

Department of  
Natural Resources

Division of  
Oil, Gas & Mining

ROBERT L. MORGAN  
*Executive Director*

LOWELL P. BRAXTON  
*Division Director*

OFFICE S. WALKER  
*Governor*

GAYLE F. McCLACHLIN  
*Lieutenant Governor*

February 6, 2004

CRR  
7099 34000016 8896 2987

Jon B. Rhine  
Interpace Industries, Inc.  
736 West Harrisville Road  
Ogden, Utah 84404

Subject: Approval of Replacement Reclamation Surety, Interpace Industries, Inc.,  
Henefer Red Clay Mine, M/043/014, Summit County, Utah

Dear Mr. Rhine:

On January 29, 2004, the Division received a replacement surety for your Henefer Red Clay Mine. The replaced surety in the amount of \$63,300 is in the form of a Letter of Credit (LOC) issued by Merrill Lynch Bank USA. On February 2, 2004, we received a Reclamation Contract to accompany the new LOC.

The surety was originally issued by Bank One \_\_\_\_\_. That original LOC and amendment is enclosed, along with the original Reclamation Contract that was tied to the Bank One surety for your disposal or return to the bank. We have also enclosed copies of the newly executed Reclamation Contract and Merrill Lynch Bank LOC for your records.

Thank you for your help, especially that of Aaron Hancock, in finalizing this permitting action. If you have any questions regarding this letter, please contact me at (801) 538-5286.

Sincerely,

D. Wayne Hedberg, Permit Supervisor  
Minerals Regulatory Program

DWH:jb

Enclosures - copy of RC & Merrill Lynch LOC #200717

Original RC & Bank One LOC #STR 19967

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**FEB 02 2004**

DIV. OF OIL, GAS & MINING

File Number M/043/014

Effective Date Feb 5, 2004

Other Agency File Number n/a

**STATE OF UTAH  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION of OIL, GAS and MINING  
1594 West North Temple Suite 1210  
Box 145801  
Salt Lake City, Utah 84114-5801  
(801) 538-5291  
Fax: (801) 359-3940**

**RECLAMATION CONTRACT**

---ooOoo---

For the purpose of this RECLAMATION CONTRACT the terms below are defined as follows:

"NOTICE OF INTENTION" (NOI): (File No.) M/043/014  
(Mineral Mined) Fireclay

"MINE LOCATION":  
(Name of Mine) Henefer Red Clay  
(Description) approximately 2½ miles N.E. of  
Henefer, Summit County

"DISTURBED AREA":  
(Disturbed Acres) 12.65  
(Legal Description) (refer to Attachment "A")

"OPERATOR":  
(Company or Name) Interpace Industries, Inc.  
(Address) 736 W. Harrisville Rd.  
Ogden, UT 84404  
(Phone) (801) 782-7933

**"OPERATOR'S REGISTERED AGENT":**

Name)

(Address)

(Phone)

C.L. Patterson

736 W. Harrisville Rd.

Ogden, UT 84404

(801) 782-7933

**"OPERATOR'S OFFICER(S)":**

Jon B. Rhine President

Charles C. Tabaracci VP Finance

**SURETY":**

(Form of Surety - Attachment B)

Letter of Credit

**"SURETY COMPANY":**

(Name, Policy or Acct. No.)

Merrill Lynch Bank USA

200717

**"SURETY AMOUNT":**

(Escalated Dollars)

\$63,300

**"ESCALATION YEAR":**

2008

**"STATE":**

State of Utah

**"DIVISION":**

Division of Oil, Gas and Mining

**"BOARD":**

Board of Oil, Gas and Mining

**ATTACHMENTS:**

A "DISTURBED AREA":

B "SURETY":

This Reclamation Contract (hereinafter referred to as "Contract") is entered into between Interpace Industries, Inc. the "Operator" and the Utah State Division of Oil, Gas and Mining ("Division").

WHEREAS, Operator desires to conduct mining operations under Notice of Intention (NOI) File No. M/043/014 which has been approved by the Utah State Division of Oil, Gas and Mining under the Utah Mined Land Reclamation Act, Sections 40-8-1 et seq., Utah Code Annotated, (1953, as amended) (hereinafter referred to as "Act") and implementing rules; and

WHEREAS, Operator is obligated to reclaim that area described as the Disturbed Area as set forth and in accordance with Operator's approved Reclamation Plan, and Operator is obligated to provide surety in form and amount approved by the Division, to assure reclamation of the Disturbed Area.

NOW, THEREFORE, the Division and the Operator agree as follows:

1. Operator agrees to conduct reclamation of the Disturbed Area in accordance with the Act and implementing regulations, the approved Notice of Intention and Reclamation Plan received January 22, 2003. The Notice of Intention and the Reclamation Plan, as amended, are incorporated by this reference and made a part hereof.
2. Concurrent with the execution hereof, Operator has provided surety to assure that reclamation is conducted, in form and amount acceptable to the Division. Such surety as evidenced by the Surety Contract is in the form of the surety attached hereto as Attachment B and made a part hereof. The Surety Contract shall remain in full force and effect according to its terms unless modified by the Division in writing. If the Surety Contract expressly provides for cancellation, then, within 60 days following the Division's receipt of notice that the Surety Company intends to cancel the Surety Contract, the Operator shall provide a replacement Surety Contract in a form and amount reasonably acceptable to the Division. If the Operator fails to provide an acceptable replacement Surety Contract, the Division may order the Operator to cease further mining activities and to begin immediate reclamation of the Disturbed Area.
3. Operator agrees to pay legally determined public liability and property damage claims resulting from mining to the extent provided in Section 40-8-7(1)(e) of the Act.
4. Operator agrees to perform all duties and fulfill all reclamation requirements applicable to the mine as required by the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
5. The Operator's liability under this Contract shall continue in full force and effect until the Division certifies that the Operator has reclaimed the Disturbed Area in accordance with the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
6. If reclamation of discrete sections of the Disturbed Area is completed to the satisfaction of the Division, and the Division finds that such sections are severable from the remainder of the Disturbed Area, Operator may request the Division to certify that Operator has reclaimed such discrete sections of the Disturbed Area in accordance with the Act and Implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended. If the Division makes such certification, Operator may make request to the Division that the aggregate face amount of the Surety Contract provided pursuant to paragraph 2 be reduced to an amount necessary to provide for completion of the remaining reclamation. The Division shall hear Operator's request for such reduction in accordance with the Board's Procedural Rules concerning requests for Agency Action.

7. Operator agrees to indemnify and hold harmless the State, Board and the Division from any claim, demand, liability, cost, charge, suit, or obligation of whatsoever nature arising from the failure of Operator or Operator's agents and employees, or contractors to comply with this Contract.
8. Operator may, at any time, submit a request to the Division to substitute surety. The Division may approve such substitution if the substitute surety meets the requirements of the Act and the implementing rules.
9. This Contract shall be governed and construed in accordance with the laws of the State of Utah.
10. If Operator shall default in the performance of its obligations hereunder, Operator agrees to pay all costs and expenses, including reasonable attorney's fees and costs incurred by the Division and/or the Board in the enforcement of this Contract.
11. Any breach that the Division finds to be material of the provisions of this Contract by Operator may, at the discretion of the Division, result in an order to cease mining operations. After opportunity for notice and hearing, the Board of Oil, Gas and Mining may enter an order to revoke the Notice of Intention, order reclamation, or order forfeiture of the Surety Contract, or take such other action as is authorized by law.
12. In the event of forfeiture of the Surety Contract, Operator shall be liable for any additional costs in excess of the surety amount which are required to comply with this Contract. Any excess monies resulting from forfeiture of the Surety Contract, upon completion of reclamation and compliance with this Contract, shall be returned to the rightful claimant.
13. This Contract including the Notice of Intention, as amended and the Reclamation Plan, as amended, represents the entire agreement of the parties involved, and any modification must be approved in writing by the parties involved.
14. Each signatory below represents that he/she is authorized to execute this Contract on behalf of the named party.

OPERATOR:

Interpace Industries, Inc.  
Operator Name

By Jon B. Rhine  
Authorized Officer (Typed or Printed)

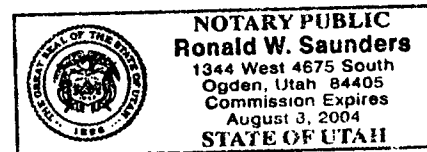
President  
Authorized Officer - Position

[Signature] 1/30/04  
Officer's Signature Date

STATE OF Utah )  
COUNTY OF Weber ) ss:

On the 30<sup>th</sup> day of Jan, 2004, Jon B. Rhine  
personally appeared before me, who being by me duly sworn did say that he/she is the  
President of Interpace Industries, Inc. and duly  
acknowledged that said instrument was signed on behalf of said company by authority  
of its bylaws or a resolution of its board of directors and said  
Jon B. Rhine duly acknowledged to me that said  
company executed the same.

[Signature]  
Notary Public  
Residing at Ogden, Ut.  
8.8-04  
My Commission Expires:



DIVISION OF OIL, GAS AND MINING:

By Lowell P Braxton  
Lowell P. Braxton, Director

2/5/04  
Date

STATE OF Utah )  
COUNTY OF Salt Lake ) ss:

On the 5<sup>th</sup> day of February, 2004, Lowell P Braxton personally appeared before me, who being duly sworn did say that he, the said Lowell P Braxton is the Director of the Division of Oil, Gas and Mining, Department of Natural Resources, State of Utah, and he duly acknowledged to me that he executed the foregoing document by authority of law on behalf of the State of Utah.



Joelle Burns  
Notary Public  
Residing at: S.L.C. Utah

April 4, 2005  
My Commission Expires:

## ATTACHMENT "A"

Interpace Industries, Inc.  
Operator

Henefer Red Clay  
Mine Name

M/043/014  
Permit Number

Summit County, Utah

### LEGAL DESCRIPTION

*Include 1/4, 1/4, 1/4 sections, townships, ranges and any other descriptions that will legally determine where disturbed lands are located. Attach a topographic map of suitable scale (max. 1 inch = 500 feet; 1 inch = 200 feet or larger scale is preferred) showing township, range and sections and a clear outline of the disturbed area boundaries tied to this Reclamation Contract and surety.*

The detailed legal description of lands to be disturbed includes portions of the following lands not to exceed 12.65 acres under the approved permit and surety, as reflected on the attached map labeled Henefer Red Clay Mine and dated 5/22/02:

Mining Area - Placer Mining Claims 17 & 18 in the S $\frac{1}{2}$  of NE $\frac{1}{4}$  & the  
NE $\frac{1}{4}$  of SE $\frac{1}{4}$  of section 34 T4N R4E SLBM Summit County

Stockpile Pad - N $\frac{1}{2}$  of SE $\frac{1}{4}$  of section 33 T4N R4E SLBM Summit County





# Irrevocable Standby Letter of Credit No

Merrill Lynch Bank USA

15 W. South Temple, Ste. 300  
Salt Lake City, Utah 84101  
801 526 8300  
800 635 5281  
FAX 801 521 6466  
FAX 801 363 8611

**DATE:** January 28, 2004

## BENEFICIARY

Utah Division of Oil, Gas and Mining  
1594 West North Temple, Suite 1210  
Box 145801  
Salt Lake City, UT 84114-5801

## APPLICANT

Interpace Industries, Inc.  
736 West Harrisville Road  
Ogden, UT 84404

**AMOUNT:** \$63,300.00

**EXPIRY DATE:** October 31, 2004  
At Merrill Lynch Bank USA  
Letter of Credit Dept.  
15 W. South Temple, Ste. 300  
Salt Lake City, Utah 84101

JAN 29 2004

## MERRILL LYNCH BANK USA IRREVOCABLE STANDBY LETTER OF CREDIT NO: 200717

Gentlemen and Ladies:

1. Merrill Lynch Bank USA ("Bank"), of Salt Lake City, Utah, hereby establishes this irrevocable Letter of Credit (the "Letter of Credit") in favor of the Utah Division of Oil, Gas and Mining ("Division") for an aggregate amount not to exceed \$63,300.00 in United States Dollars ("Face Amount") effective immediately.
2. This Letter of Credit will expire upon the first event set forth as follows: (a) 4:00 o'clock p.m. (Salt Lake City time) on October 31, 2004 or (b) the date upon which sufficient documents are executed by the Division to release Interpace Industries, Inc. ("Operator") from further liability for reclamation of the Henefer Red Clay Mine, permit no. M/043/014, with notice to Bank by the Division accompanied by the original Letter of Credit with directions for cancellation.
3. This Letter of Credit will be automatically extended for successive periods of one year from the current or any future expiration date unless the Bank gives notice to the Division at least 90 days prior to the expiration date that the Bank elects not to renew the Letter of Credit.
4. Funds under this Letter of Credit are available against the Division's sight draft, in the form of Exhibit A attached hereto, specifying Letter of Credit No. \_\_\_\_\_ delivered to the office of the Bank, Merrill Lynch Bank USA, Letter of Credit Department, 15 West South Temple, Suite 300, Salt Lake City, Utah 84101. At the Division's sole election, the Division may present sight drafts for less than the Face Amount so long as the aggregate amount of all sight drafts does not exceed the Face Amount. Each draft must be accompanied by a certificate in the form of Exhibit B attached hereto, purportedly signed by a duly authorized representative of the Division.

5. If the Bank receives the Division's complying sight draft(s) and certificate(s) as provided in Paragraph No. 4 above on or before the expiration or termination date of this Letter of Credit, the Bank will make such amount as the Division may specify, within the limits of the second sentence of Paragraph No. 4 of this Letter of Credit, available to the Division no later than the close of business, Salt Lake City time, on the second business day following the Bank's receipt of the sight draft and certificate and in such a manner as the Division may specify.

6. The Bank will give prompt notice to the Operator and to the Division Director of any notice received or action filed alleging the insolvency or bankruptcy of the Bank, or alleging any violations of regulatory requirements which could result in suspension or revocation of the Bank's charter or license to do business.

7. The Letter of Credit will be governed by the laws of the State of Utah and shall be subject to the Uniform Customs and Practice for Documentary Credits, 1993 revision, International Chamber of Commerce Publication No. 500, as the same may be amended and in effect from time to time ("UCP"). In the event of a conflict between Utah law and the UCP, Utah law shall govern.

8. All communications regarding this Letter of Credit will be addressed to Merrill Lynch Bank USA, Letter of Credit Department, 15 West South Temple, Suite 300, Salt Lake City, Utah 84101, referencing Letter of Credit No

**MERRILL LYNCH BANK USA**

By: Marilee Bingham  
Title: Vice President

**EXHIBIT A – SIGHT DRAFT**

**To**

**Letter of Credit Number**

\_\_\_\_\_  
Date

\_\_\_\_\_  
City, County

\_\_\_\_\_  
Letter of Credit No.

**PAY TO THE ORDER OF:**

Utah Division of Oil, Gas and Mining

\_\_\_\_\_  
DOLLARS

TO: Merrill Lynch Bank USA  
Letter of Credit Department  
15 West South Temple, Suite 300  
Salt Lake City, Utah 84101

Utah Division of Oil, Gas and Mining  
1594 West North Temple, Suite 1210  
Box 145801  
Salt Lake City, Utah 84114-5801

By: \_\_\_\_\_  
Authorized Signature

**EXHIBIT B**

**To**

**Letter of Credit Number**

I, \_\_\_\_\_ a duly authorized representative of the Utah Division of Oil, Gas and Mining, hereby certify that (1) the drawing in the amount of \$\_\_\_\_\_, by sight draft accompanying this certificate, under Letter of Credit No \_\_\_\_\_ dated January 28, 2004 issued by you is permitted under the provision of the Letter of Credit, (2) the Letter of Credit has neither expired nor terminated pursuant to its terms, (3) the amount of the sight draft, together with any amounts previously drawn under the Letter of Credit, does not exceed the Face Amount, and (4) the Utah Board of Oil, Gas and Mining, after notice and hearing, has entered an Order which has not been stayed, ordering forfeiture of Letter of Credit No. \_\_\_\_\_ in accordance with applicable law. Proceeds of this drawing will be utilized in full to pay the expenses relating to the reclamation liability, together with the costs of collection, including attorneys fees, for the Henefer Red Clay Mine, permit no. M/043/014.

The Utah Division of Oil, Gas and Mining

By: \_\_\_\_\_  
Authorized Signature

Date: \_\_\_\_\_